

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Investigation into the Gas Market Activities of Southern California Gas Company, San Diego Gas and Electric, Southwest Gas, Pacific Gas and Electric, and Southern California Edison and their impact on the Gas Price Spikes experienced at the California Border from March 2000 through May 2001.

Investigation 02-11-040  
(Filed November 21, 2002)

Order Instituting Investigation whether San Diego Gas & Electric Company, Southern California Gas Company and their holding company, Sempra Energy, respondents, have complied with relevant statutes and Commission decisions, pertaining to respondents' holding company systems and affiliate activities.

Investigation 03-02-033  
(Filed February 27, 2003)

**ADMINISTRATIVE LAW JUDGE'S RULING  
MODIFYING SCHEDULE FOR PHASE I OF I.02-11-040 AND  
REQUIRING TESTIMONY ON ADDITIONAL SUB-ISSUE**

**Summary**

This ruling modifies the schedule for Phase I of Investigation (I.) 02-11-040. It also requires that an additional sub-issue be addressed in this investigation and that Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) serve supplemental direct testimony on this sub-issue by October 1, 2003.

### **Phase I Procedural Schedule**

The scoping memo for Phase I of I.02-11-040 established a procedural schedule for testimony, hearings, and briefs. On June 27, 2003, Southern California Edison Company (SCE) filed a motion asking that the schedule be modified. SoCalGas and SDG&E filed a response to SCE's motion on July 14, 2003. At my request, a conference call was held on July 23, 2003, during which the Phase I schedule was discussed further.

In its motion, SCE requests that SCE's and other interested parties' testimony be served on December 17, 2003 rather than August 27, 2003, as established in the scoping memo. Other dates would be extended similarly. SCE additionally requests that four weeks of evidentiary hearings be scheduled rather than one week of hearings as provided by the scoping memo. In SCE's view, the schedule should be modified for several reasons, including the need to respond to SoCalGas and SDG&E's voluminous direct testimony, the need to complete discovery, and the need to develop a full and complete record to ensure that the 2000-2001 energy crisis is not repeated.

SoCalGas and SDG&E agree, "with mixed emotions," that some extension of the procedural schedule in this proceeding may be appropriate. However, they take issue with SCE's proposed schedule, which would extend SCE's testimony deadline by 16 weeks but would add only two weeks to the time allotted for reply testimony. They are also concerned that SCE's schedule would move some of the most work-intensive portions of the proceeding to their busiest part of the year from a core procurement and operational standpoint. SoCalGas and SDG&E propose an alternative schedule that would lengthen the time for rebuttal testimony. They also suggest that the moratorium on new discovery

requests prior to the submission of rebuttal testimony be eliminated. During the conference call, no party supported retention of that moratorium.

I agree that an extension of the procedural schedule is appropriate. However, both of the submitted alternate schedules lengthen the proceeding excessively. The following modified schedule, which eliminates the moratorium on new discovery requests and provides for SoCalGas and SDG&E's supplemental testimony as required by this ruling, is adopted:

Initial testimony by SoCalGas and SDG&E	June 11, 2003
Supplemental initial testimony by SoCalGas and SDG&E	October 1, 2003
Initial testimony by all other parties	November 12, 2003
Concurrent rebuttal testimony by all parties	February 18, 2004
Deadline for discovery requests	February 25, 2004
Evidentiary Hearings	March 1 through March 26, 2004
Opening briefs	April 23, 2004
Reply briefs and submission of Phase I	May 14, 2004

The evidentiary hearings shall be held in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California, and shall commence at 10:00 a.m. on March 1, 2004.

Pursuant to Rule 8(d) of the Commission Rules of Practice and Procedure, parties requesting final oral argument before the Commission should include that request in their concurrent opening briefs.

#### **Additional Sub-issue**

In Section VIII of their direct testimony, SoCalGas and SDG&E describe their gas cost incentive mechanisms and the Core Procurement Incentive

Mechanism of Pacific Gas and Electric Company (PG&E). After reviewing this testimony, I find that the following sub-issue related to Issue 4 identified in the scoping memo should be addressed in this proceeding:

- 4.a. Does PG&E's gas cost incentive mechanism provide stronger or otherwise preferable incentives for the utility to purchase reliable, low-cost natural gas supplies for core customers? Would the provisions of PG&E's gas cost incentive mechanism have provided better protections than those provided by SoCalGas' and SDG&E's gas cost incentive mechanisms during the subject period? Should SoCalGas' and/or SDG&E's gas cost incentive mechanism be modified to incorporate any components of PG&E's gas cost incentive mechanism ?

In addressing this sub-issue, parties should focus on the structure of PG&E's gas cost incentive mechanism, not on PG&E's performance under the mechanism. SoCalGas and SDG&E should serve supplemental direct testimony limited to this sub-issue no later than October 1, 2003. PG&E and other parties are encouraged to address this sub-issue in subsequent initial and rebuttal testimony.

Therefore, **IT IS RULED** that:

1. The schedule for Phase I of Investigation 02-11-040 is modified as set forth herein.
2. A party may request final oral argument as set forth herein.
3. The sub-issue set forth herein, which is related to Issue 4 identified in the scoping memo, shall be addressed in this proceeding.

4. Southern California Gas Company and San Diego Gas & Electric Company shall file supplemental direct testimony limited to the identified sub-issue no later than October 1, 2003.

Dated August 1, 2003, at San Francisco, California.

/s/ CHARLOTTE F. TERKEURST

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Charlotte F. TerKeurst  
Administrative Law Judge

## **CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Modifying Schedule for Phase I of I.02-11-040 and Requiring Testimony on Additional Sub-issue on all parties of record in this proceeding or their attorneys of record. In addition, service was also performed by electronic mail.

Dated August 1, 2003, at San Francisco, California.

/s/ FANNIE SID

Fannie Sid

## **N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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I.02-11-040, I.03-02-033 CFT/sid